

253808

STATE OF SOUTH CAROLINA

## (Caption of Case)

Application of Palmetto Utilities, Inc. for adjustment  
of rates and charges and modifications to certain terms  
and conditions related to, the provision of sewer  
service.

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

## COVER SHEET

DOCKET

NUMBER: 2013 - 42 - S

(Please type or print)

Submitted by: John M.S. Hoefler

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

## DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition☐ Request for item to be placed on Commission's Agenda expeditiously☐ Other:

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input checked="" type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other: _____	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other: _____	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		

Print Form

Reset Form

**WILLOUGHBY & HOEFER, P.A.**

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December 11, 2014

\*ALSO ADMITTED IN TX

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**VIA HAND DELIVERY**

The Honorable Jocelyn D. Boyd  
Chief Clerk/Administrator  
**Public Service Commission of South Carolina**  
101 Executive Center Drive  
Columbia, South Carolina 29211

RE: Application of Palmetto Utilities, Inc. for adjustment of rates and charges for, and modification to certain terms and conditions related to, the provision of sewer service; Docket No.: 2013-42-S

Dear Mrs. Boyd:

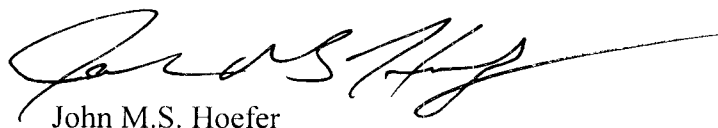
Enclosed for filing on behalf of Palmetto Utilities, Inc. is the original copy of verified **Testimony on Remand of Fred (Rick) Melcher, III and Gary E. Walsh As Directed By Order No. 2011-363** in the above-referenced matter. By copy of this letter, I am serving a copy of these documents upon the parties of record and enclose a Certificate of Service to that effect.

I would appreciate your acknowledging receipt of these documents by date-stamping the extra copies that are enclosed and returning them to me via our courier.

If you have any questions or if you need any additional information, please do not hesitate to contact me.

Sincerely,

**WILLOUGHBY & HOEFER, P.A.**



John M.S. Hoefer

JMSH/cbs  
Enclosures

The Honorable Jocelyn D. Boyd

December 11, 2014

Page 2

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cc: Jeffrey M. Nelson, Esquire  
Florence P. Belser, Esquire  
D. Reece Williams, III, Esquire  
Kathleen M. McDaniel, Esquire

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

DOCKET NO. 2013-42-S

IN RE: )  
)  
Application of Palmetto Utilities, Inc. )  
for adjustment of rates and charges )  
for, and modification to certain terms )  
and conditions related to, )  
the provision of sewer service. )

**REMAND TESTIMONY  
OF GARY E. WALSH**

1   **Q.    ARE YOU THE SAME GARY E. WALSH THAT HAS PREVIOUSLY**  
2       **TESTIFIED IN THIS MATTER?**

3   **A.    Yes, I am.**

4   **Q.    WHAT IS THE PURPOSE OF YOUR REMAND TESTIMONY IN THIS**  
5       **PROCEEDING?**

6   **A.    The purpose of my remand testimony is to explain and support the proposed**  
7       settlement reached by the parties in this proceeding while the matter was pending  
8       on appeal before the Supreme Court of South Carolina.

9   **Q.    WHAT ARE THE TERMS OF THE PARTIES' PROPOSED**  
10       **SETTLEMENT?**

11   **A.    The primary terms of the proposed settlement consist of a modification to**  
12       Palmetto's currently approved rate design and a very slight increase in the  
13       monthly charge per single family equivalent, or "SFE." The operating margin  
14       previously approved by the Commission in this docket would remain unchanged.

1   **Q.   WOULD YOU DISCUSS THE PRIMARY TERMS YOU HAVE**  
2   **MENTIONED IN MORE DETAIL?**

3   A.   Yes. As the Commission is aware, Palmetto's currently approved rate design  
4   features a single family equivalency rating system that is based upon the "Unit  
5   Contributory Loading Guidelines" set out in Appendix "A" to Volume 25 South  
6   Carolina Code of Regulations 61-67. This regulation establishes flow capacity  
7   design guidelines for wastewater facilities which are used to determine the  
8   distribution of Palmetto's revenue requirement among the various types of  
9   customers it serves. Under the terms of the proposed settlement, the currently  
10   approved rate design would be modified to exclude from the factors used to  
11   calculate the equivalency rating for fast-food restaurants the number of cars  
12   served by their drive-thru facilities. In order to permit Palmetto to earn the  
13   operating margin previously approved by the Commission in this docket -- which  
14   was not disputed by any party in this docket -- the approved monthly charge for  
15   wastewater treatment service would be increased from thirty six dollars to thirty  
16   six dollars and fifty cents per SFE. This is an increase in the monthly charge per  
17   SFE of less than one and one-half percent.

18   **Q.   HAS THE PROPOSED MODIFIED RATE DESIGN BEEN APPROVED**  
19   **BY THE COMMISSION FOR ANY OTHER UTILITY?**

20   A.   Yes. The Commission recently approved the same rate design for Palmetto  
21   Wastewater Reclamation LLC in its Order Number 2014-752 in Docket Number  
22   2014-69-S.

1   **Q.   WHAT IS THE BASIS FOR THE MODIFICATION TO THE**  
2       **EQUIVALENCY FACTORS FOR THE FAST-FOOD RESTAURANTS**  
3       **OPERATING DRIVE-THRU FACILITIES?**

4   A.   The basis for this modification lies in a couple of facts. First, Palmetto has  
5       already proposed, and the Commission accepted, a modification to these  
6       equivalency factors in the settlement between Palmetto and the Office of  
7       Regulatory Staff that was first approved by the Commission in this docket. This  
8       fact reflects that rate design is a fluid, and not static, function and that a utility has  
9       the ability to propose rate designs that reflect the needs of various types of  
10      customers. Second, Palmetto's current rate design, as well as those of many if not  
11      all of the jurisdictional sewer utilities which have approved rate designs that  
12      employ equivalency rating systems based upon the guidelines set out in the  
13      regulation, already reflects some modification to other commercial customer  
14      equivalency factors. This is so because all commercial customers are currently  
15      charged based upon a minimum of one SFE – even if their total equivalency  
16      factors are less than one SFE.

17  
18   **Q.   IS THE PROPOSED SETTLEMENT REASONABLE?**

19   A.   I believe that the settlement is reasonable for several reasons. First, it resolves a  
20       dispute between the parties to this case, which in turn provides the dual benefits  
21       of limiting legal expenses for these parties and promoting administrative  
22       economy. Secondly, the proposed modified rate design is consistent with that  
23       approved by the Commission for Palmetto's sister utility, Palmetto Wastewater  
24       Reclamation, LLC. Third, although the settlement results in a slight increase over

1 Palmetto's currently approved rates, the resulting rate per single family equivalent  
2 is still below the rates charged by several other jurisdictional sewer utilities and  
3 governmental sewer utilities in the midlands area. Although I recognize that the  
4 rates charged by other utilities cannot form the basis for the determination of a  
5 just and reasonable rate, I believe that they can provide a valuable perspective  
6 from which to consider the reasonableness of a proposed settlement. Fourth, and  
7 as I mentioned earlier, the settlement has no impact upon the operating margin the  
8 Commission has approved in this docket.

9 **Q. DOES THIS CONCLUDE YOUR REMAND TESTIMONY?**

10 **A.** Yes, it does.

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2013-42-S

IN RE:

Application of Palmetto Utilities, Inc.  
for adjustment of rates and charges  
for, and modification to certain terms  
and conditions related to,  
the provision of sewer service.

REMAND TESTIMONY  
OF FRED (RICK)  
MELCHER, III

1 Q. ARE YOU THE SAME RICK MELCHER THAT HAS PREVIOUSLY  
2 TESTIFIED IN THIS MATTER?

3 A. Yes, I am.

4 Q. WHAT IS THE PURPOSE OF YOUR REMAND TESTIMONY IN THIS  
5 PROCEEDING?

6 A. The purpose of my remand testimony is to support approval by the Commission  
7 of the proposed settlement reached by the parties in this proceeding.

8 Q. WHAT ARE THE TERMS OF THE PARTIES' PROPOSED  
9 SETTLEMENT?

10 A. The settlement proposed by the parties of record would increase the approved  
11 monthly service rate from \$36.00 to \$36.50 per single family equivalent, or  
12 "SFE," for all customers but reduce the number of SFE's for one category of  
13 commercial customers, specifically fast-food restaurants which serve meals  
14 through drive-thru facilities. There would be no change in the operating margin  
15 approved by the Commission in this docket.



1   **Q.    DOES THE PROPOSED SETTLEMENT SERVE THE PUBLIC**  
2       **INTEREST?**

3    A.    I believe that it does. Under the terms of the settlement, monthly service charges  
4           per SFE increase by less than one and one-half percent over the currently  
5           approved monthly service charge, which I would note went into effect a year and  
6           four months ago. The company's financial position is preserved since the  
7           operating margin approved by the Commission in this docket would not be  
8           affected. Economic development is served in that operators of fast-food  
9           restaurants with drive-thru facilities will now have greater resources to invest in  
10          facilities and jobs.

11   **Q.    ARE THERE OTHER POSITIVE ASPECTS TO THE PROPOSED**  
12       **SETTLEMENT?**

13   A.    Yes. The proposed settlement reflects a modification to the Company's rate  
14          design that makes it consistent with the rate design the Commission recently  
15          approved for the Company's sister subsidiary, Palmetto Wastewater Reclamation  
16          LLC in its Order Number 2014-752 in Docket Number 2014-69-S. This would  
17          be beneficial in the event that consolidation of certificated entities becomes  
18          desirable.

19   **Q.    DOES THE PROPOSED SETTLEMENT RESULT IN JUST AND**  
20       **REASONABLE RATES?**

21   A.    I believe that it does because it maintains the operating margin approved by the  
22          Commission in this docket. All customers will pay the same rate per SFE under  
23          this proposed settlement as is the case under the currently approved rate schedule.  
24          Rate design is a question for the Commission and I believe that the modification

1 to the previously approved rate design serves to fairly distribute the cost of  
2 providing service among customers.

3 **Q. DOES THIS CONCLUDE YOUR REMAND TESTIMONY?**

4 A. Yes, it does.

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

DOCKET NO. 2013-42-S

IN RE:

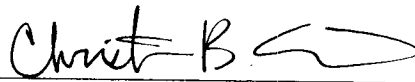
Application of Palmetto Utilities, Inc.  
for adjustment of rates and charges and  
modifications to certain terms and  
conditions related to, the provision  
of sewer service.

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this day one (1) copy of **Testimony on Remand of Fred (Rick) Melcher, III and Gary E. Walsh As Directed By Order No. 2011-363** by placing same in the care and custody of the United States Postal Service with first class postage affixed thereto and addressed as follows:

Jeffrey Nelson, Esquire  
Florence P. Belser, Esquire  
**Office of Regulatory Staff**  
1401 Main Street, Suite 900  
Columbia, South Carolina 29201

Kathleen M. McDaniel, Esquire  
D. Reece Williams, III, Esquire  
**Callison Tighe & Robinson, LLC**  
Post Office Box 1390  
Columbia, SC 29202

  
Christine B. Severin

Columbia, South Carolina  
This 11<sup>th</sup> day of December, 2014.